

**Rhododendron Water Association  
Annual Meeting of the Membership  
May 22, 2010 – 12:30 pm  
The Dorman Center – Zigzag, Oregon**

1 BOARD MEMBERS PRESENT: Ralph Pitt, Merv Novinger, Sharon Lamoreaux, Steve Graeper, Dan  
2 Holm, Reed “Luke” Lucas. Nancy Daugherty was absent with notice.

3 GUESTS: Scott Barry, Heath and Rose Cokeley of the Oregon Association of Water Utilities.

4 RWA CONTRACTORS: David Jacob, Water Master; Marilyn and Eric Peterson, Mountain Quail  
5 Business Services, Inc.

6 MEMBERS PRESENT (*See attached sign-in sheet*)

7 **Meeting to Order**

8 The President called the meeting to order at 12:30 pm. He introduced the Board of Directors and  
9 attending guests who are Circuit Riders from the Oregon Association of Water Utilities: Scott Barry,  
10 Heath Cokeley and his wife Rose.

11 **Secretary’s Report**

12 Susan Corwin moved and Bob Hunt seconded a motion to dispense with the reading of the minutes of  
13 the last annual meeting. The motion passed unanimously.

14 Susan Corwin moved and Bob Hunt seconded a motion to approve the minutes as circulated. The  
15 motion passed unanimously.

16 **Treasurer’s Report**

17 Treasurer Sharon Lamoreaux presented annual financial reports for the association. Starting with the  
18 Balance Sheet as of 12/31/2009, she gave a line-by-line explanation of the entries. (*See attached print  
19 out*) Lamoreaux then moved to an accrual basis Profit and Loss report for January through April of the  
20 current fiscal year. She pointed out that the budget figures are prorated for the time period and that the  
21 income under “Water Users” is high because they are billed January each year with the bulk of the funds  
22 coming in during the first three months.

23 Bob Hunt inquired about the bulk rate user amounts. Steve Graeper affirmed that the bulk users are  
24 billed monthly rather than annually. That revenue is listed separately from other member income.

25 Projected income for 2010 will be about \$110,000. Projected expenses for year-end will be about  
26 \$73,000 leaving about \$37,000 to go toward future Capital Improvement projects. It was pointed out  
27 that approximately \$10,000 was used to paid off the remaining balance of the \$100,000 loan taken out in  
28 2000. The balance will go toward the net unrestricted assets.

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1 **Executive Secretary's Report**

2 Marilyn Peterson gave a four-point update for the members:

3 **Water Master Report**

4 David Jacob told attendees that the water quality Consumer Confidence Report is on the website. He  
5 was again pleased to announce that RWA has no water quality problems. With regard to operations, he  
6 noted that currently there is approximately a 50-gallon per minute finished water loss system wide.  
7 Jacob's goal is to bring that loss down close to zero or as far as possible.

8 Over the next few months, Jacob will be working on projects such as: Continued installation of branch  
9 metering for the system; Meters on service lines, concentrating on areas of likely leaks and clearing out  
10 the collection pond at the Headwork's. He indicated that usually, any work that will require water to be  
11 shutoff he would try to schedule to be completed on Thursdays.

12 **President's Report**

13 Steve Graeper gave an overview of RWA's performance in 2009. The year started with a Boil Water  
14 order resulting from the freeze and rapid thaw at the beginning of the year. The order lasted 13 days and  
15 was weather related, completely out of RWA control. Throughout the year, a number of projects to  
16 upgrade the system were completed. One project, the Road 19 Line replacement went over budget due  
17 to unexpected USDA Forest Service requirements to grade and rock the entire road. Most of the System  
18 Upgrade work was accomplished from funds generated by the rate increase put in place three years ago,  
19 but the cost overrun required the Board to deplete the reserve fund.

20 The year ended with another Boil Water order due to a filtration plant disaster on November 22 when a  
21 tree fell on the filter plant completely demolishing it and the contents. Thanks to heroic efforts by  
22 Water-master, David Jacob and OAWU Circuit Riders, Scott Barry and Heath Cokeley, the system was  
23 back on line within 10 days. The attendees applauded their work.

24 Graeper noted that one of the "Silver Linings" to this event was that the filters, which needed the media  
25 replaced this coming year, were completely replaced and upgraded at insurance expense, thus saving the  
26 association considerable expense. Essentially, because of this disaster, the association got a brand new  
27 filtration plant for \$287,538 in insurance coverage (less \$500 deductible). The President noted a special  
28 tour of the plant, for those in attendance at the meeting, would take place immediately following the  
29 annual meeting.

30 The President then made a presentation of the facts concerning the system's financial condition over the  
31 past three years. Referring back to the Treasurer's Reports for the past 3 years, the results were

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1 increasing deficits at the end of each year. Throughout 2009, the President attended a number of  
2 meetings to establish what opportunities for funding system upgrades might be available. Initially, the  
3 only answer was to take out a loan through USDA at 4% or the State Drinking Water Program (DWP)  
4 Revolving Loan fund at 4.5%. The system was put on the DWP list of possible recipients for funds, but  
5 there were no guarantees of funding. Also, the region's median household income for residents in the  
6 97049 Zip Code was too high, thus failing the standards for any type of grants, USDA or otherwise. The  
7 debt load for taking on a loan of the estimated \$615,000 needed for the essential system upgrades would  
8 cost the association around \$40,000 a year for 20 or more years.

9 This lead the Board to study the system's rate structure to see if it could be restructured in a way that  
10 would equalize the user fees for part-time and full-time users and allow the system to self-fund the  
11 needed system upgrades. In November 2009, the Board made the difficult decision to restructure the  
12 rates and raise them in order to afford the needed upgrades. The new rate structure over the next 10  
13 (ten) years has a built in allocation for Capital Improvements and Distribution System upgrades each  
14 year and an allocation to reserves for future years. The upgrades would include but would not be limited  
15 to: installation of another 100,000 gallon storage tank (probably in the Woodlands area), replacing aged  
16 distribution lines, work on looping the entire systems that allows for better leak detection strategies and  
17 installing meters at each service connection. During the next two years, the basic strategy is to find  
18 ways to get the overall system leak of 50 gallons per minute down to near zero. Graeper concluded his  
19 comments on funding by saying that the Board was committed to continuing the search for outside funds  
20 but the prospects do not look promising.

21 Graeper noted that due to the disaster at the filtration plant, RWA needed Emergency Cash and as a  
22 result pointed out significant deficiencies with State and Federal agencies and their ability to aid in the  
23 event of a disaster. The call for financial help in an emergency was one of the first that State and  
24 Federal agencies experienced and their offer was for emergency loans only. Thanks to our insurance  
25 coverage and our membership with OAWU, the Association benefited and was buoyed by the support  
26 and expertise from OAWU and the USDA Circuit Rider program administered by OAWU.

27 Graeper then reported on his attendance at the Annual Meeting of the OAWU in March of 2010. He  
28 was pleased to report that the RWA received the OAWU "2009 Exceptional Service Award" for the  
29 Association's diligence and work during the filter plant disaster. In addition, at that meeting it was  
30 announced that RWA's system placed second for "Best Tasting Water" in the State.

31 The President then moved to special presentations for the following: He presented a Certificate of  
32 Appreciation to Dick and Sue McAbery (Not in attendance) as the couple who, in a very timely manner,  
33 gave notice to the Association about the tree down on the filtration plant facilities. Their timely

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1 notification mitigated what could have been a much worse disaster for the system. Secondly he  
2 presented a gift certificate and acknowledged the invaluable work that Reed “Luke” Lucas has  
3 performed on the Board and that it was with sad reluctance that he was accepting Luke’s resignation  
4 from the Board due to Lucas’ move to Oklahoma. Luke responded with a comment on what a privilege  
5 he felt it was to work with the RWA Board from the days of Bob Hunt’s leadership forward through  
6 Steve Graeper’s.

7 The President told attendees that RWA is continuing the work exploring the consolidation issues with  
8 Fabion Loop Home Owners Association and, more recently, John Lake Home Owners Association. The  
9 Clackamas County Boundary Commission is supportive of such consolidations. The State’s long-term  
10 vision is to consolidate many of the smaller water systems into larger ones. He acknowledged Susan  
11 Corwin’s input from last years meeting regarding inter-tying systems where water could be sold to other  
12 systems, such as Salmon Valley Water. The RWA Board felt it was a good idea. When Graeper  
13 approached Salmon Valley, they indicated they were not interested, as the inter-tie would be too costly  
14 in their perspective. The Inter-tie with Lady Creek System happened during the past year, as a result of  
15 the emergency and will prove to benefit both systems.

16 Questions from the floor: Susan Corwin asked if water quality standards were mandated by the State?  
17 Graeper confirmed that the State Department of Health and the Drinking Water Program indeed  
18 oversees water quality and that there are almost constant changes. Jacob noted that a recent change by  
19 the State carried a potential for additional treatment to RWA water. In the end, our system’s water  
20 quality proved good enough that we did not to have to do any additional treatment.

21 Graeper concluded his remarks by saying he was somewhat concerned about this meeting because of the  
22 rate increase. He believes that having received only six protestations recorded after the annual mailing  
23 meant that the membership at large is fairly understanding of the need for improving the system.

24 **Results of Balloting:** Eric Peterson, Mountain Quail Business Services, Inc. served as Director of  
25 Elections. He announced the following balloting results. Seventy three (73) ballots were cast. The  
26 votes tallied as follows: Merv Novinger - 71 votes, Sharon Lamoreaux – 66, Nancy Daugherty – 68  
27 votes, Ron Jagow – 1 vote. Steve Graeper noted that one person had been nominated as a Board  
28 candidate, but did not meet the By-Laws requirements for Board service.

29 **New Business:** None.

30 **Member Questions/Suggestions** Is there any circumstance under which insurance would not cover  
31 another disaster? Graeper noted that the insurance is more than adequate for any disaster. There are

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1 funds available through the State and Federal agencies, but they are not easily or readily accessible. The  
2 Board is trying to build up a reserve and other financial strategies to protect the RWA's system.

3 **Adjournment** Sherry Holm moved and Bob Hunt seconded a motion to adjourn the meeting. The  
4 motion passed and the meeting was adjourned at 1:53 pm.

5  
6 Respectfully submitted,

7  
8  
9 Marilyn Peterson, Executive Secretary Mountain Quail Business Services, Inc.